

# BAJAJ AUTO LIMITED

## Mixed Operating Trends Amid Market Share Pressures and Strategic Shifts

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Bajaj Auto's Q4 FY25 performance presented a mixed picture across its key business segments. In the domestic 125cc+ motorcycle category—its core strategic focus—the company retained the number two position but witnessed market share erosion, with share declining. This reflects heightened competitive intensity and indicates challenges in sustaining leadership despite ongoing product interventions. In the 2W EV segment, Bajaj Auto saw a sharp rise in market share in Q4 FY25, making it the top-selling EV brand in India during the quarter. The improvement was largely supported by the 35 Series platform, which introduced upgraded features and styling. Although the EV business has transitioned from being significantly margin-dilutive to approaching EBITDA breakeven—assuming current pricing holds—it still remains exposed to input risks, particularly uncertainties related to the supply of rare-earth magnets from China. The 3W segment reported its highest-ever quarterly volumes in Q4FY25, with the company maintaining a dominant market share in the ICE 3W category. In the EV 3W segment, Bajaj Auto attained leadership during April and May.

The company also introduced a new brand, GoGo, under its EV auto portfolio and continued testing pilot e-rickshaw models. While these developments mark progress in electrification efforts, the long-term success of the EV 3W portfolio will depend on scale, infrastructure, and regulatory support. On the exports front, the business unit recorded a 20% YoY growth in volumes during the quarter, led by Latin America, which accounted for majority of total export volumes and surpassed previous highs. The region's product mix remained premium, with Pulsar and Dominar. Recovery was aided by more stable macroeconomic and currency environments across key markets, allowing customers to absorb price increases and return to routine purchases. However, the sustainability of this growth remains uncertain and will be influenced by external economic conditions and regional demand patterns.

In Q4FY25, Bajaj Auto reported revenue of ₹117 bn up 4.6% YoY, ahead of expectations, primarily supported by a favourable product mix and currency gains. EBITDA stood at ₹25.5 bn, rising 6% YoY with margins at 20.2%, reflecting an improvement of ~9 bps YoY, aided by currency benefits and operating leverage, while a decline in staff costs helped offset higher other expenses. PBT for the quarter stood at ₹27 bn with a PBT margin of 23.1%, expanding by ~38 bps YoY. For FY25, the company posted total operating revenue of ₹485 bn, up 11.9% YoY, aided by its diversified portfolio.

Key Financials	FY 23	FY 24	FY 25	FY 26E	FY 27E
Revenues (Rs bn)	364	447	500	583	666
EBITDA (%)	18.0	19.7	20.2	20.5	20.6
PAT (%)	15.9	17.2	16.9	16.9	16.7
EPS (Rs)	198.9	267.9	292.0	342.1	386.5
EPS growth (%)	14.7%	34.7%	9.0%	17.2%	13.0%
P/E (x)	43.5	32.3	29.6	25.3	22.4
P/B (x)	9.6	9.7	7.5	6.5	5.7
EV/EBITDA (x)	37.5	27.6	24.0	20.3	17.8
ROE (%)	22.1%	30.1%	25.4%	25.9%	25.5%
Dividend yield (%)	1.7%	1.6%	0.9%	2.0%	2.2%

### NEUTRAL

Current Market Price (₹)	8,607
12M Price Target (₹)	9,151
Potential Return (%)	6

#### Stock Data

Sector	:	Auto Components
Face Value (₹)	:	10
Total MCap (₹ bn)	:	2,401
Free Float MCap (₹ bn)	:	9,51
52-Week High / Low (₹)	:	12,774 / 7,090
BSE Code / NSE Symbol	:	532977 / BAJAJ-AUTO
Bloomberg	:	BJAUT IN
Sensex / Nifty	:	81,451 / 24,751

#### Shareholding Pattern

(%)	Jan-25	Dec-24	Sep-24	Jun-24
Promoter	55.04	55.04	55.04	55.06
FPIs	11.61	12.45	14.31	14.20
MFs	6.54	6.19	5.34	5.37
Bodies Corporate	4.75	4.84	4.70	4.63
Insurance	3.64	2.91	2.51	2.40
Others	18.42	18.57	18.10	18.34

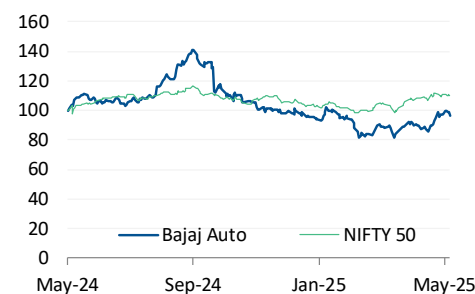
Source: BSE

#### Price Performance

(%)	1M	3M	6M	12M
Bajaj Auto	7.2	8.9	-4.7	-4.0
Nifty 50	1.7	11.9	2.6	10.1

\* To date / current date : May 30, 2025

#### Bajaj Auto vs Nifty 50



The business witnessed a transition through the year—from strong domestic demand in H1 to a sharp recovery in exports in H2, which helped offset the domestic slowdown. EBITDA for the year stood at ₹101 bn, up 14.5% YoY, with margins expanding by ~50 bps. Full-year PBT came in at ₹111 bn, up 12.5% YoY, with a margin of 22.9%, an improvement of ~40 bps YoY. The company ended FY25 with a cash and bank balance of ₹13 bn.

Following approval of KTM's restructuring plan, Bajaj's Netherlands arm arranged ~EUR 800 mn in debt funding to facilitate payments and revive operations. Bajaj aims to acquire a controlling stake in Pierer Bajaj AG via a call option and, post-regulatory clearances, intends to overhaul governance and operations to unlock synergies and restore performance. CY25 will be focused on stabilization, with visible turnaround expected from CY26. While KTM's performance has been impacted by demand volatility in e-bikes and extreme sports, along with high debt and inventory levels, its customer franchise remains intact and exposure to high-tariff markets is minimal (<1% of revenue).

While Bajaj Auto is well-positioned to benefit from the premiumization trend in India, supported by a refreshed Pulsar lineup and a strong presence of premium brands like Dominar and KTM, market share pressure in the core 125cc+ segment remains a key concern. The ramp-up of the Freedom CNG motorcycle, though promising, is likely to take longer than initially anticipated due to infrastructure and adoption hurdles. Given these mixed dynamics and the fact that the current valuation already factors in much of the upside, we maintain a Neutral stance on the stock. Execution on market share recovery and Freedom's scale-up will be key near-term monitors. We estimate Revenue/EBITDA/PBT to grow at a CAGR of 15.8%/16.8%/15.2% over FY25E-FY27. We have revised our TP at ₹9,151, 24x of FY27E EPS.

### Quarterly Financial Snapshot

YE Mar (₹ mn)	Q4FY25	Q3FY25	QoQ	Q4FY24	YoY
Net sales	1,16,952	1,23,166	-5.0%	1,11,783	4.6%
Other op. income	4,528	4,902	-7.6%	3,064	47.8%
<b>Total income</b>	<b>1,21,480</b>	<b>1,28,069</b>	<b>-5.1%</b>	<b>1,14,847</b>	<b>5.8%</b>
RM cost	84,882	91,327	-7.1%	80,702	5.2%
Employee cost	3,645	3,865	-5.7%	3,872	-5.9%
Other expenses	8,446	7,070	19.5%	7,210	17.1%
<b>EBITDA</b>	<b>24,506</b>	<b>25,807</b>	<b>-5.0%</b>	<b>23,063</b>	<b>6.3%</b>
<i>EBITDA margin %</i>	<i>20.2%</i>	<i>20.2%</i>	<i>2bps</i>	<i>20.1%</i>	<i>9bps</i>
Other income	3,808	3,347	13.8%	3,487	9.2%
Depreciation	1,111	997	11.5%	906	22.7%
Interest	168	143	17.5%	228	-26.2%
<b>PBT</b>	<b>27,034</b>	<b>28,015</b>	<b>-3.5%</b>	<b>25,416</b>	<b>6.4%</b>
Tax	6,541	6,927	-5.6%	6,056	8.0%
<b>Adj PAT</b>	<b>20,493</b>	<b>21,087</b>	<b>-2.8%</b>	<b>19,360</b>	<b>5.9%</b>
<i>Adj PAT margin %</i>	<i>16.9%</i>	<i>16.5%</i>	<i>40bps</i>	<i>16.9%</i>	<i>1bps</i>

Source: Company, LKP Research

## Q4FY25 Earnings Call – Key Takeaways

### KTM Restructuring in Motion:

Bajaj Auto's Netherlands subsidiary arranged ~EUR 800 mn debt funding. A call option agreement enables Bajaj to acquire a controlling stake in Pierer Bajaj AG by May 2026. Post-regulatory approvals (expected in 2–3 months), Bajaj plans a comprehensive turnaround of KTM, with CY25 focused on stabilization and CY26 targeted for initial recovery signs.

### Exports Recovery & Growth Outlook:

Exports grew 20% YoY in Q4, with Bajaj outperforming industry growth (Bajaj +31% vs. industry +26%) across 26 of the top 30 emerging markets. LATAM remains a key driver, with the Brazil plant ramping to 50K units/year by Dec'25. Export growth guidance is 15–20% YoY going forward.

### Domestic Motorcycle Strategy:

Share in the 125cc+ segment slipped to 24% (vs. 26% in FY24). Countermeasures include six new Pulsar variants and targeted penetration of the CNG-powered Freedom bike in pump-dense states like Kerala and Delhi. FY26 will see full product pipeline execution, including potential new 125cc entries.

### EV Portfolio Momentum:

Chetak secured #1 spot in Q4 with 25% share, driven by its new 35 Series. Platform profitability nearing EBITDA breakeven, aided by PLI incentives. EV 3V also scaled significantly, with Bajaj leading in April–May. A new e-rickshaw launch is expected in July, with FY26 being a base-building year.

### 3W Business:

Strong performance continued in both ICE and EV segments. Bajaj held 75% ICE share and doubled e-auto share YoY to 33%. The addressable e-rickshaw segment (~40K/month) presents long-term potential, though FY26 will be an observation and learning phase.

### Commodity & Currency Commentary:

Q4 saw stable material costs despite palladium/rhodium inflation. Q1FY26 may see ~100 bps margin pressure from commodity inflation and OBD2 compliance costs, partially offset by selective pricing. Rupee appreciation at quarter-end may weigh on margins due to USD-linked sales exposure.

### Supply Chain Risk – Rare Earth Materials:

EV production faces potential disruption by July due to regulatory delays in rare-earth magnet imports from China. The industry awaits clearance of ~30 pending applications under the new certification regime.

## Income Statement

(₹ mn)	FY 24	FY 25	FY 26E	FY 27E
<b>Total Revenues</b>	<b>4,46,852</b>	<b>5,00,103</b>	<b>5,82,785</b>	<b>6,65,851</b>
Raw Material Cost	3,17,434	3,53,374	4,12,293	4,70,825
Employee Cost	15,376	15,794	18,638	21,313
Other Exp	25,813	29,947	32,186	36,738
<b>EBITDA</b>	<b>88,230</b>	<b>1,00,988</b>	<b>1,19,668</b>	<b>1,36,975</b>
<i>EBITDA Margin(%)</i>	<i>19.7</i>	<i>20.2</i>	<i>20.5</i>	<i>20.6</i>
Other income	14025	14209	14600	14800
Depreciation	3,498	4,001	4,658	5,458
Interest	535	677	530	520
<b>PBT</b>	<b>98,221</b>	<b>1,10,519</b>	<b>1,29,080</b>	<b>1,45,797</b>
<i>PBT Margin(%)</i>	<i>22.5</i>	<i>22.9</i>	<i>22.9</i>	<i>22.6</i>
Exceptional items	0	0	0	0
Tax	23,432	29,005	33,561	37,907
<b>APAT</b>	<b>74,789</b>	<b>81,514</b>	<b>95,520</b>	<b>1,07,890</b>
<i>APAT Margins (%)</i>	<i>16.7</i>	<i>16.3</i>	<i>16.4</i>	<i>16.2</i>

## Key Ratios

YE Mar	FY 24	FY 25	FY 26E	FY 27E
<b>Per Share Data (Rs)</b>				
Adj. EPS	267.9	292.0	342.1	386.5
CEPS	208.9	280.4	306.3	358.8
BVPS	890.5	1151.5	1322.5	1515.8
DPS	141.9	80.1	171.1	193.2
<b>Growth Ratios(%)</b>				
Total revenues	22.7%	11.9%	16.5%	14.3%
EBITDA	34.7%	14.5%	18.5%	14.5%
PAT	32.9%	9.0%	17.2%	13.0%
EPS Growth	34.7%	9.0%	17.2%	13.0%
<b>Valuation Ratios (x)</b>				
PE	32.3	29.6	25.3	22.4
P/CEPS	30.9	28.2	24.1	21.3
P/BV	9.7	7.5	6.5	5.7
EV/Sales	6.9	5.6	5.0	4.3
EV/EBITDA	27.6	24.0	20.3	17.8
<b>Operating Ratios (Days)</b>				
Inventory days	14.2	14.8	17.0	19.0
Receivable Days	17.8	17.3	21.0	23.0
Payables day	47.0	47.4	52.0	52.0
Net Debt/Equity (x)	(0.01)	(0.02)	(0.01)	(0.00)
<b>Profitability Ratios (%)</b>				
ROE	30.1%	25.4%	25.9%	25.5%
Dividend yield	1.6%	0.9%	2.0%	2.2%

## Balance Sheet

(₹ mn)	FY 24	FY 25	FY 26E	FY 27E
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholder's funds</b>				
Share capital	2,792	2,793	2,793	2,793
Reserves and surplus	2,45,813	3,18,677	3,66,429	4,20,330
Total networth	2,48,605	3,21,469	3,69,222	4,23,122
<b>Non current liabilities</b>				
LT borrowings & provisions	1,575	1,562	1,362	1,162
Deferred tax liabilities	5,069	11,230	11,230	11,230
<b>Current liabilities</b>				
Current liabilities & provisions	57,984	65,187	82,973	94,522
Other current liabilities	20,933	16,841	16,841	16,841
<b>Total equity and liabilities</b>	<b>3,42,507</b>	<b>4,24,289</b>	<b>4,89,628</b>	<b>5,54,877</b>
<b>ASSETS</b>				
Net block	31,379	35,002	45,344	55,887
Capital work in progress	243	260	560	860
Intangible assets	119	28	28	28
Non current investments	1,96,619	2,30,346	2,70,346	3,10,346
Long term loans and advances	297	11,115	11,115	11,115
Other non current assets	10,278	13,265	13,265	13,265
Total non current assets	2,38,935	2,90,016	3,40,658	3,91,501
<b>Current assets</b>				
Current investments	48,795	55,835	57,835	59,835
Inventories	16,956	19,579	26,305	33,620
Trade receivables	21,224	22,826	32,494	40,697
Cash & equivalents	4,486	8,134	4,436	1,326
Bank balance	880	5,151	5,151	5,151
Short term loans & advances	32	26	26	26
Other current assets	11,199	22,722	22,722	22,722
<b>Total current assets</b>	<b>1,03,572</b>	<b>1,34,273</b>	<b>1,48,969</b>	<b>1,63,377</b>
<b>Total Assets</b>	<b>3,42,507</b>	<b>4,24,289</b>	<b>4,89,628</b>	<b>5,54,877</b>

## Cash Flow

(₹ mn)	FY 24	FY 25	FY 26E	FY 27E
<b>PBT</b>	<b>98,220</b>	<b>1,10,519</b>	<b>1,29,080</b>	<b>1,45,797</b>
Depreciation	3,498	4,001	4,658	5,458
Interest	16	18	0	0
Chng in working capital	10,171	(2,428)	1,392	(3,968)
Tax paid	(23,826)	(26,804)	(33,561)	(37,907)
Other operating activities	(13,297)	(12,639)	530	520
<b>Cash flow from operations (a)</b>	<b>74,783</b>	<b>72,667</b>	<b>1,02,099</b>	<b>1,09,899</b>
Capital expenditure	(8,077)	(7,253)	(15,300)	(16,300)
Other investing activities	6,685	(29,157)	(42,000)	(42,000)
<b>Cash flow from investing (b)</b>	<b>(1,392)</b>	<b>(36,410)</b>	<b>(57,300)</b>	<b>(58,300)</b>
<b>Free cash flow (a+b)</b>	<b>73,391</b>	<b>36,258</b>	<b>44,799</b>	<b>51,599</b>
Inc/dec in borrowings	8,327	(505)	(200)	(200)
Other financing activities	(79,428)	(32,037)	(48,290)	(54,465)
<b>Cash flow from financing (c)</b>	<b>(71,101)</b>	<b>(32,542)</b>	<b>(48,490)</b>	<b>(54,665)</b>
<b>Net chng in cash (a+b+c)</b>	<b>2,290</b>	<b>3,715</b>	<b>(3,691)</b>	<b>(3,066)</b>
<b>Closing cash &amp; cash equivalents</b>	<b>4,486</b>	<b>8,134</b>	<b>4,444</b>	<b>1,378</b>

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